Information Services Board Response to PTI Governance Recommendations

November 12, 2009

Background

The Washington State Legislature created the Information Technology Work Group (ITWG) in Section 962 of the 2007-2009 Operating Budget. Composed of legislative members, agency directors, chief information officers, and members of the business community, the Work Group was chartered to examine opportunities to improve the administration and coordination of state information technologies (IT). In November 2007, ITWG submitted its preliminary report to the Governor and the Legislature. In the report, the Work Group made specific recommendations regarding IT project approval and oversight, purchasing practices, and the shared use of Department of Information Services (DIS) infrastructure. The Work Group also asked the Legislature to appropriate funds to hire a consultant to evaluate – and develop a strategy for – the governance and delivery of state IT services. In September 2008, the ITWG engaged Pacific Technologies, Inc. (PTI) to conduct that evaluation. PTI issued its final report on July 10, 2009.

PTI Governance Recommendations[1]

Governance Structure Recommendations
1. Focus the Information Services Board's authority and responsibilities on strategic direction-setting
2. Establish a Project Review Board
3. Recharter the Customer Advisory Board
4. Expand the Enterprise Architecture Committee

Governance Processes Recommendations
5. Revise the budgeting process for IT projects
6. Discontinue the IT Pool
7. Improve the state's ability to fund innovative IT investments
8. Revise the state's funding model for IT services
9. Invest in enterprise architecture

Governance Tools Recommendations
10. Define specific IT performance measures and tools for performance management
11. Develop a tactical work plan to implement the state's IT Strategic Plan

Information Services Board Response to the PTI Report

1. <u>Focus the Information Services Board's authority and responsibilities on strategic direction-setting</u>

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[1] *This response addresses PTI's governance recommendations. Recommendations related to the delivery of state IT services will be addressed in a separate response.

PTI recommended that the Information Services Board (ISB) be rechartered to focus more on strategic direction setting and less on project reviews. Specifically, PTI recommended that the ISB be divested of its purchase authority and project oversight duties, and that state statutes be amended as necessary to focus ISB responsibilities on:

• Setting strategic IT direction
• Approving the state's IT Strategic Plan
• Adopting statewide IT policy
• Monitoring the overall IT project portfolio
• Evaluating statewide IT performance
• Promoting inter-governmental IT cooperation
• Providing input into the Governor's prioritization of major IT investments

RCW 43.105.041 sets forth the powers and duties of the ISB. The statute provides the Board with plenary power to acquire equipment, software, and purchased services and to adopt policies and standards to provide direction concerning the strategic planning goals and objectives for the state.

The Board strongly agrees that it must increase its focus on strategic direction setting. However, the Board feels strongly that its ability to develop and implement IT strategy is directly related to its ability to oversee projects and control IT spending. Divesting the Board of its oversight responsibilities and purchasing authority dilutes the Board's effectiveness and leaves the state without an adequate means of enforcing its strategic IT goals.

Statutory changes are not required to shift the Board's focus. The flexibility of the existing statutory approach to IT governance ensures that the Board can move easily from focusing on purchasing and project oversight to focusing on strategic planning, IT performance reviews, and promoting comprehensive IT policies and priorities. (The major projects on which the Board focuses much of its attention, while highly visible, constitute a relative modest proportion of the state's total IT-related expenditures.)

As explained later in this response, changes in the way the Board spends its time are well within the Board's own authority and flow naturally from the broad set of powers conferred by existing law.

2. Establish a Project Review Board

ISB members had differing reactions to PTI's recommendation to establish a separate Board to review IT projects. Some members felt that assembling a panel with proper technical and financial experience to report to the Board periodically would be preferable to hearing directly from agencies about their IT projects. Other members felt that requiring agency Directors and sponsors to come before the Board in person promoted accountability and helped ensure that sponsors were knowledgeable and well briefed about their major IT projects. Members were also concerned that being too far away from real issues and problems at the project level could lead to a strategy and policy "disconnect" fostering either inconsistent or irrelevant IT governance.

Following a thorough discussion of the PTI recommendation and several alternatives, the Board concluded that sponsor accountability and sponsor awareness were too important to refer to a separate body. In addition, the Board's ability to make informed policy and strategy decisions depends to a great degree on its knowledge of project related issues. Limiting the Board's ability to see what is really going on at the project level limits its ability to respond in a relevant way when changes are needed to IT policies and procedures.

A preferred alternative to establishing a Project Review Board would be to modify the Board's approach to project reviews; limiting the time spent reviewing projects and maximizing the time available to work on strategy and direction-setting.

The Board is considering the following recommendations to limit the time it spends on IT project reviews without sacrificing its emphasis on accountability, or losing touch with the day-to-day needs of agency Directors and managers:

- Closely scrutinize all agenda items to determine their value, and scale down purely informational in-person presentations. Use written reports as an alternative to in-person presentations where appropriate.

- Rather than always requiring in-person presentations for gated project approvals, use a consent agenda format for projects that are on or under budget, on or ahead of schedule, and have no change in scope. Any Board member with concerns could request a formal presentation.

- Post projects' "lessons learned" on the Board's website using a standard format that clearly defines what worked, what did not work, or what could have been done better. If formal presentations are made, they would have more value being given to Chief Information Officers (CIOs) at their meetings.

- Develop a presentation template to be used by presenting agencies. The template can be high-level to give agencies enough latitude to ensure that the most important issues are covered; but it would also help to make the presentations shorter, more consistent, and easier to follow.

3. Recharter the Customer Advisory Board

At the time the PTI study was written, the Customer Advisory Board (CAB) was comprised predominantly of agency Directors, rather than state agency CIOs. PTI reported that without CIO representation on the CAB, the CAB lacked the technical expertise to provide adequate customer input on IT issues, policies, and priorities. PTI also felt that without this forum for CIOs as a group, they lacked sufficient representation in statewide IT governance processes.

This recommendation has been adopted. The CAB is now comprised of state agency CIOs and serves an important advisory role to the ISB, providing input on overall statewide IT direction and on agency business needs and related IT requirements.

4. Expand the Enterprise Architecture Committee

The PTI report recommends expanding the Enterprise Architecture Committee (EAC) to improve and optimize the state's IT architecture to enhance data sharing, economies of scale, and security. Specifically, PTI recommends that the state:

> "Reorganize the State Interoperability Executive Committee and the Geographic Information Technology Committee to report to the Enterprise Architecture Committee. Establish additional domain groups with active agency participation as necessary in the areas of business architecture, applications, data and information, technology, and information security. Formally charter these groups and clearly define scope of authority and roles and responsibilities of DIS, agency, and other members."

This recommendation makes the EAC the lead committee for all other committees involved in developing statewide technical policies, standards, and procedures. The PTI report did not provide a detailed description of the governing rules or composition of an enhanced EAC, but did recommend that other sub-groups within the EAC be formally chartered.

The Board does not believe that the EAC should be reorganized as recommended by PTI. The State Interoperability Executive Committee (SIEC), for example, although a subcommittee of the ISB, is separately authorized under RCW 43.105.330. The statute sets forth membership and voting requirements, as well as specifying duties and responsibilities. Members include city and county government public safety employees who are not subject to ISB rules and policies. In addition, the SIEC is charged with developing solutions to specific operational needs. These solutions almost invariably include issues that are not technical issues. Moving the SIEC under the EAC is not in the state's best interest.

The Geographic Information Technology Committee (GITC) might fit more neatly under the EAC than the SIEC would, but the Board feels it is premature to move the GITC under the EAC until the Board has a chance to look more closely at the Charter for the EAC itself. Under PTI's governance recommendation number 9, PTI suggests enhancing the Enterprise Architecture Program to better align technology with business priorities, leverage IT resources, and simplify and lower the costs of technology.

The Board strongly supports the need for an expanded, relevant and strategic enterprise architecture program. This topic will be covered in the Board's response to PTI's recommendation number 9.

5. Revise the budgeting process for IT projects

The PTI report recommends modifying the IT project budget process to more closely resemble the Capital Budget model, considering the full life-cycle costs – including both one-time capital costs and ongoing operations and maintenance – that may span multiple biennia, and quantitatively evaluating the benefits of these IT projects.

The Board supports treating IT investments more like capital investments. Currently, IT investments are funded on a project by project basis within a biennium. Shifting the state's perspective away from funding individual IT projects within a biennium, and towards funding IT as a program for the enterprise like we do for capital investments, could have profound ramifications for the way we govern and deliver IT services in the state of Washington.

To make this transition towards treating IT investments more like capital investments, however, we must create a long term strategy linking the state's overall IT direction and architecture with business needs. This long term strategy would look four to eight years into the future and would be part of an enterprise IT program built upon an enterprise IT architecture.

The Board is currently working with its staff and the Office of Financial Management (OFM) to review options for creating appropriate mechanisms within the legislature and the budget process to support an enterprise IT program for the state. Some options to consider include leveraging OFM budget instructions to ensure that a five year outlook is captured as part of the budget process and revising the state's Strategic IT Plan. Aligning the adopted budget with a strategic vision in a prioritized way for funding purposes would bring both process and strategy together. In the end, these combined efforts could lead to the creation and funding of an enterprise IT program for the state that shares many of the characteristics of our current capital budget process.

Creating an enterprise IT program for the state could also help to provide a mechanism for subsidizing new technologies as discussed under recommendation number 7, below.

6. Discontinue the IT Pool

The IT Pool, created by section 1621 of the 2007-09 Biennial Budget, was not renewed in the 2009-11 Biennial Budget.

7. Improve the state's ability to fund innovative IT investments

The PTI report states that the current full cost recovery model for DIS inhibits innovation. DIS is mandated to fully recover service costs within a single biennium, or in some cases – particularly for new services – three years. Because service unit costs decrease as the user base grows, the earliest adopters of these technologies and services can find themselves subject to higher unit costs, or an "early adopter penalty."

The Board believes that creating an enterprise IT program could provide a mechanism for subsidizing new technologies, helping to minimize the "early adopter penalty." These

new technologies, in turn, can provide opportunities for transforming government services, delivering value at a lower cost. In the current climate of limited resources and increasingly bleak revenue forecasts, the need to improve the return on every IT investment dollar is of critical importance.

8. Revise the state's funding model for IT services

PTI reported that there is limited understanding of DIS service costs among state agencies. As a result, they say, agencies question the value of some IT services.

The Board understands that the lack of a standard model for assessing the true cost of IT services makes it difficult to do accurate cost comparisons. The State Auditor's Office is currently conducting a study of state IT costs to help provide data for establishing a standard cost model. Sharing a common model for understanding the cost components of IT services is critical for ensuring that the state is obtaining the highest value for each IT dollar it spends.

The Board is of the strong belief that DIS must offer services that are appropriate and cost-effective – services that state agencies choose to utilize because of the performance and cost advantages that they provide. The DIS Director and staff concur with this view, in the context of a standard model for assessing the true cost of IT services.

9. Invest in enterprise architecture

An enhanced enterprise architecture program can better align technology with business priorities, leverage IT resources, and simplify and lower the costs of technology. The PTI report states that there is a lack of sufficient investment in enterprise architecture. The Board agrees.

Although the state's EAC has led the development of several statewide architecture guidelines and standards, it is unclear to some agencies that they are required to comply with these standards. As a result, EA initiatives are not effectively leveraged statewide. In addition, there is a lack of strategic enterprise IT planning, resulting in a series of sequential standards rather than a holistic look at IT capabilities statewide.

The Board strongly supports the need for an expanded, relevant and strategic enterprise architecture program. An effective enterprise architecture provides a foundation for executing strategic initiatives and shaping future strategic opportunities. It fulfills business objectives by building IT capabilities, not just IT solutions.

An effective enterprise architecture can also help to underpin a longer range IT strategy and longer term IT investment goals as discussed above in the sections dealing with revisions to IT budgeting and funding. DIS has recently hired a full-time Enterprise Architect who will work collaboratively with the EAC, state agencies, and the Board to ensure the development of an effective enterprise architecture program for the state of Washington.

10. Define specific IT performance measures and tools for performance management

The Board agrees that tools that ensure consistent data collection and reporting will enhance the state's ability to be accountable, achieve performance targets, and ensure IT investments are resulting in the right outcomes, at the right time, at the right cost.

One tool already in place is the state's Portfolio Management System. RCW 43.105.170 requires that each executive branch agency develop an information technology portfolio that links its technology plans to its business plan and objectives, and analyzes the effect of proposed IT investments on existing business functions and statewide technology infrastructure. Coupling the Portfolio Management System with a set of specific output and outcome measures to track and monitor IT investments and performance will help identify opportunities to make the right IT investments at the right time. Such measures can also help to reduce duplication, improve utilization, achieve economies of scale, and lower overall IT costs.

The state should increase its investment in Portfolio Management to ensure that these objectives are met.

11. Develop a tactical work plan to implement the state's IT Strategic Plan

PTI reported that some stakeholders expressed concern that the statewide IT Strategic Plan is not actionable. The 2008-2014 State Strategic IT Plan clearly articulates six IT goals, based on 10 IT guiding principles aligned with the state's business goals. Since the Plan was published in early 2008, the state identified 10 implementation strategies. However, the Strategic Plan still lacks an associated implementation plan with priorities and actionable projects, timelines, and resource assignments.

The Board plans to review and make changes to the current state Strategic IT Plan in light of the changes relating to enterprise IT architecture and IT funding discussed above and draft a tactical work plan to put the Plan into action.

Thank you for the opportunity to comment on PTI's evaluation of Washington State's approach to IT. The Board is available to respond to questions regarding its response. Please feel free to contact the Board at your convenience.

Sincerely,

Robin Arnold-Williams, Chair
Information Services Board